

**Iowa Telecommunications & Technology Commission  
Telephonic Meeting  
Grimes State Office Building, 1st Floor  
Des Moines**

**F i n a l**

**August 20, 2008**

**Commissioners Present**

Betsy Brandsgard, Chairperson (by phone)  
Robert R. Hardman, Member (by phone)  
Timothy L. Lapointe, Member (by phone)  
Pamela A. Duffy, Member (by phone)  
Michael W. Mahaffey, Member (by phone)  
David A. Vaudt, Ex-Officio Member (by phone)

**Commissioners Absent**

None

**Iowa Communications Network Staff Present**

John Gillispie, Executive Director  
Joseph Cassis, Deputy Director  
Dave Marley, Operations Administrator  
Dave Lingren, Service Delivery Administrator  
Kevin Heinzeroth, Finance Administrator  
Vicki Wallis, Engineering Administrator  
Tami Fujinaka, Government Relations Manager  
Gail McMahon, Public Relations Manager  
Diane Van Zante, Secretary (Recorder)

**Guests**

Susie Van Gundy, Department of Human Services  
Michele Ridout, Department of Education  
Kent Farver, Department of Education  
Kay Runge, Education Telecommunications Council (ETC)

**Call to Order**

Ms. Brandsgard called the meeting to order at 10:35 a.m. It was noted that a quorum was present for the meeting.

**Table 07/17/08 Meeting Minutes**

The July 17, 2008 meeting minutes were informally tabled.

**New Business**

**ETC's EOA Committee – Kay Runge.**

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*As approved at the September 18, 2008 ITTC Meeting*

The mission and function of the ETC have not been reviewed in the past 15 years. A committee was established to revisit the structure of the ETC/RTC and to look at performance matrices, etc. The committee met on August 6 and meets again tomorrow. The committee's charge is to analyze current ETC policies and recommend changes to the legislature. Areas of review include scheduling, customer base, accessibility, anticipation of learner's needs, and the addition of new responsibilities. The committee hopes to report back to the ITTC in December. The participants are very excited about this effort. They hope to bring forward some recommended changes at the InToto Conference, with the idea of taking them on to the legislature. Commissioner Hardman inquired if there was any mechanism to address concerns from Iowa citizens. Ms. Runge stated that local communities will have an opportunity to provide feedback a bit later in the process.

**Discussion of FY 2010 Video Rate Options – Dave Lingren/John Gillispie.**

The ICN invited some of its customers to today's meeting to discuss the challenges it is facing in the area of video services. When the ICN was created, it was financed by the general fund and did not have a fee for service perspective. Some time later when they first established rates for video services, they landed on \$5 per hour. At one time, there were subsidies for operation of the network. When the general fund appropriation was cut back, the legislature chose not to provide additional funding, putting the ICN in the position of raising all of its own capital. Although that has changed a bit in the last three years it remains a challenge. The ICN was created on a "build it and they will come" model and that has worked pretty well until the last three to four years. Video has lost a lot of money over the years. In order to make up for that loss, the ICN has charged higher rates for voice and data services. The ICN is competitive, but not the least expensive when it comes to data/internet and voice. The ITTC is facing some difficult decisions. Substantial voice users have abandoned the network and others are threatening to leave, which exacerbates the problem since revenues from voice services are used to subsidize other services like video. The Commission has not raised video rates and users have reported substantial savings from utilizing ICN video services; unfortunately, the ICN is not generating enough cash to demonstrate the reliability that people expect over the long run. We are fairing okay at the present time, but see the decrease in video services as an ongoing trend, so need to explore alternatives. This is a capital intensive business.

Commissioner Mahaffey joined the conference call, in progress.

Mr. Lingren reported that over the last five years, the average annual loss has been \$1.5 million per year. Usage from FY04 to FY08 declined 50,000 hours. That decline accounts for much of the loss. Voice and data customers do not want to subsidize video. The ICN is facing a potential loss of \$750,000 in revenue if a couple of the big voice users who are threatening to leave do so. The ICN is also seeing an increase in the number of waiver requests. The ICN has to have revenue from other areas to offset the losses in video. The minimum and maximum projected increases discussed at the July meeting would only bring in an additional \$200,000-\$500,000; that amount is not enough to solve the problem.

The Chair asked for input from the user community.

Kent Farver, Department of Education: The Department does utilize video services extensively. There is a concern anytime costs increase. We understand the ICN's dilemma, but are being hit

with higher prices in several areas, yet have a status quo budget. The Department of Education would appreciate as modest of an increase as possible.

Susie Van Gundy, Department of Human Services: Ms. Van Gundy advised that she is not a decision maker at DHS, so the message needs to be relayed to those who are. ICN staff will follow up on this recommendation.

Commissioner Mahaffey: What if people appreciate the dilemma, but don't support increasing the rates? What can the ICN offer in terms of service that makes it worthwhile for customers to stay? How do we sell this?

The large agencies that are considering removing their non video services do not see the intangible benefits; it is the small agencies that do.

Commissioner Lapointe: Waivers require proof that the entity can obtain a product at a similar or competitive rate. Can we clarify the waiver process and use more scrutiny on the waiver requests?

Director Gillispie clarified that there is a difference between a certified user (education, AEAs, etc.) and an authorized user (state agencies and others). The authorized users are the ones that have been leaving and they are not required to submit a waiver request to the ITTC; they can leave of their own volition. The Code is not very specific on the waiver process; most of the process is laid out by administrative rule and doesn't impact 70% of the revenue.

When the network was built, it was built as a voice, video, and data network. We have seen an increase in voice and data services, but not video. Users are unhappy about subsidizing video and have found alternate solutions in some cases. The education community is still the biggest user of the full motion video product. Full motion video is not available in a video over IP environment. When rates increase, customers are forced into making a decision. One theory of behavior is that customers either spend the same amount of money and use fewer hours, or they start to use alternative products that are cheaper and fairly effective.

Commissioner Mahaffey: From the standpoint of small business, that would be exactly the thought process.

Commissioner Lapointe: How much cheaper is the ICN video rate than the marketplace rate?

At one of Director Gillispie's former employers, they charged \$600 per hour.

Kay Runge: The ICN was originally set up to provide equal education to all points in Iowa. As technology has progressed, other methods to deliver those services have evolved. Past practices aren't working anymore. We need a product that is stable and the ICN has that. Can we create other uses for the network, outside of traditional classroom instruction? Ms. Runge also suggested a more robust marketing effort.

Commissioner Hardman: The video network is aging, so significant investments will be needed to keep it operating.

Commissioner Duffy: This is more of a crisis because it's difficult to recruit new customers. We need to educate the legislative body that we're operating with rules that were created a decade ago and are living in a constantly changing technology environment.

**Supplier Updates** – Vicki Wallis.

Siemens Enterprise has been looking for a purchaser of its manufacturing section. The ICN is looking for assurances since it has invested heavily in the Siemens voice platform. Siemens has stated their continued support of the purchased platform well into the future. In late July, the announcement was made that 51 percent of Siemens Enterprise was acquired by private equity firm Gores Group. This is considered positive news for Siemens customers, as the technology they provide nicely complements those of its existing companies to leverage the benefits of all.

While this is not a guarantee of future support, knowing the technology will be used to leverage other products does provide some comfort in the long-term support for the platform.

Commissioner Lapointe disconnected from the call at 11:39 a.m.

Director Gillispie advised that in order to preserve existing classrooms, the ICN has started taking equipment out of rooms that have not had any activity in three to four years. We have not been able to find a way to repair the equipment that is currently in place. The bridging technology seems to be the major issue. There is not much to report on long term solutions. Most of the classroom equipment is 15 years old; the node controllers continue to fail and that is a \$35,000-\$45,000 replacement cost. For most controllers that fail, users are opting not to replace them and thus close down the room. This item will be discussed further at the next Commission meeting.

**Other Business** - Commission, Executive Director and Staff.

None.

**Adjournment** – Commission.

There being no further business, the meeting adjourned at 11: 44 a.m.